

HONG FOK CORPORATION LIMITED

(Co. Reg. No. 196700468N)

Third Quarter Financial Statement Announcement for the Period Ended 30 September 2016

PART I INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Third quarter financial statement on consolidated results for the period ended 30 September 2016.
These figures have not been audited.

	The Group		
	\$'000		%
	3rd Quarter 2016	3rd Quarter 2015	Increase/ (Decrease)
Revenue (Note 1)	14,020	14,434	(3)
Other income	209	234	(11)
	14,229	14,668	(3)
Depreciation of property, plant and equipment	(125)	(116)	8
Changes in fair value of held for trading equity securities	39	(4)	NM
Gain on disposal of subsidiary	-	81,922	NM
Exchange (loss)/gain, net	(4)	37	NM
Impairment loss written back/(made) on trade and other receivables and bad debts written off, net	30	(35)	NM
Other expenses	(10,102)	(10,053)	-
	4,067	86,419	(95)
Finance expense	(5,154)	(5,356)	(4)
	(1,087)	81,063	NM
Share of results of associate and joint venture, net of tax	1	#	NM
(Loss)/Profit before tax	(1,086)	81,063	NM
Tax expense	(1,015)	(509)	99
(Loss)/Profit for the period	(2,101)	80,554	NM
(Loss)/Profit attributable to:			
Owners of the Company	(813)	56,592	NM
Non-controlling interests	(1,288)	23,962	NM
(Loss)/Profit for the period	(2,101)	80,554	NM
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign subsidiaries	5,014	21,663	(77)
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	447	2,258	(80)
Realisation of reserves on disposal of subsidiary	-	(1,139)	NM
Other comprehensive income for the period, net of tax	5,461	22,782	(76)
Total comprehensive income for the period	3,360	103,336	(97)
Total comprehensive income attributable to:			
Owners of the Company	1,262	62,662	(98)
Non-controlling interests	2,098	40,674	(95)
Total comprehensive income for the period	3,360	103,336	(97)

Amount less than \$1,000.

Notes:

- (1) Included in Revenue is investment income of approximately \$2,000 (2015 : \$1,000).
- (2) NM – Not Meaningful.
- (3) NA – Not Applicable.

1(b)(i) **A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	The Group		The Company	
	\$'000		\$'000	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
Non-current Assets				
Property, plant and equipment	2,195	2,424	-	-
Subsidiaries	-	-	233,106	233,106
Associate and joint venture	#	#	-	-
Investment properties	2,415,030	2,390,839	-	-
Other assets	182	185	-	-
Pledged bank deposits	5,911	4,196	-	-
	2,423,318	2,397,644	233,106	233,106
Current Assets				
Other assets	331	559	-	-
Current tax assets	29	342	-	-
Development properties	246,611	246,611	-	-
Trade and other receivables	4,013	3,726	62	39
Amounts due from subsidiaries	-	-	263,431	249,736
Cash and cash equivalents	90,900	163,759	4,832	33,294
	341,884	414,997	268,325	283,069
Total Assets	2,765,202	2,812,641	501,431	516,175
Equity Attributable to Owners of the Company				
Share capital	186,688	186,688	186,688	186,688
Treasury shares	(101,050)	(101,050)	-	-
Reserves	1,384,117	1,398,069	71,611	83,881
	1,469,755	1,483,707	258,299	270,569
Non-controlling interests	487,292	500,987	-	-
Total Equity	1,957,047	1,984,694	258,299	270,569
Non-current Liabilities				
Loans and borrowings	723,444	738,205	219,150	218,769
Trade and other payables	12,799	12,844	-	-
Deferred tax liabilities	1,060	1,039	-	-
	737,303	752,088	219,150	218,769
Current Liabilities				
Loans and borrowings	5,364	5,798	-	-
Trade and other payables	62,899	68,270	1,984	4,838
Amounts due to subsidiaries	-	-	21,998	21,999
Current tax liabilities	2,589	1,791	-	-
	70,852	75,859	23,982	26,837
Total Liabilities	808,155	827,947	243,132	245,606
Total Equity and Liabilities	2,765,202	2,812,641	501,431	516,175

Amount less than \$1,000

1(b)(ii) **Aggregate amount of the group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

As at 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$5,245,000	\$119,000	\$5,627,000	\$171,000

Amount repayable after one year

As at 30.09.2016		As at 31.12.2015	
Secured	Unsecured	Secured	Unsecured
\$462,735,000	\$260,709,000	\$519,436,000	\$218,769,000

Details of any collaterals

The borrowings by the subsidiaries are generally secured by the Group's certain investment properties and certain development properties and are guaranteed by the Company and/or its subsidiaries.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	
\$'000	
3rd Quarter 2016	3rd Quarter 2015
Cash Flows from Operating Activities	
(Loss)/Profit before tax	81,063
Adjustments for:	
Share of results of associate and joint venture, net of tax	#
Amortisation of transaction cost of loans and borrowings	361
Depreciation of property, plant and equipment	116
Gain on disposal of subsidiary	(81,922)
Changes in fair value of held for trading equity securities	4
Impairment loss (written back)/made on trade and other receivables and bad debts written off	35
Loss on disposal of property, plant and equipment	3
Interest income	(185)
Interest expense	4,995
	4,470
Changes in working capital:	
Development properties	678
Trade and other receivables	8,463
Trade and other payables	1,292
Cash generated from operations	14,903
Interest income received	188
Tax paid	(5,802)
Tax refund	-
Net Cash from Operating Activities	9,289
Cash Flows from Investing Activities	
Capital expenditure on investment properties	(8,541)
Purchase of property, plant and equipment	(168)
Disposal of subsidiary, net of cash	102,312
Net Cash (used in)/from Investing Activities	93,603
Cash Flows from Financing Activities	
Increase in pledged bank deposits	(693)
Interest expense paid	(7,905)
Payment of finance lease liabilities	-
Repayments of loans and borrowings	(45,785)
Proceeds from loans and borrowings	40,781
Net Cash used in Financing Activities	(13,602)
Net (Decrease)/Increase in Cash and Cash Equivalents	89,290
Cash and cash equivalents at 1 July	81,784
Effect of exchange rate fluctuations on cash held	530
Cash and Cash Equivalents at 30 September	171,604
Cash and Cash Equivalents at 30 September is represented by:	
Cash at banks and in hand	8,435
Deposits	167,222
Cash and cash equivalents	175,657
Less: Pledged bank deposits (non-current)	(4,053)
	171,604

Amount less than \$1,000

Summary of Effect of Disposal of Subsidiary

	The Group
	\$'000
	3rd Quarter 2015
Property, plant and equipment	145
Other assets	1,024
Development properties	44,862
Trade and other receivables	575
Cash and cash equivalents	5,452
Trade and other payables	(1,360)
Net assets disposed of	50,698
Gain on disposal of subsidiary	81,922
Direct expenses incurred	2,230
Realisation of reserves	(1,139)
Non-controlling interests	(25,947)
Sale consideration	107,764
Cash and cash equivalents disposed of	(5,452)
Disposal of subsidiary, net of cash	102,312

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	\$'000							Non-Controlling Interests	Total Equity
	Attributable to Owners of the Company								
	Share Capital	Capital and Other Reserves	Treasury Shares	Translation Reserves	Retained Profit	Total			
The Group									
At 1 July 2015	186,688	3,464	(101,050)	(36,579)	1,259,216	1,311,739	480,212	1,791,951	
Total comprehensive income for the period									
Profit for the period	-	-	-	-	56,592	56,592	23,962	80,554	
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries	-	46	-	4,905	-	4,951	16,712	21,663	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	2,258	-	2,258	-	2,258	
Realisation of reserves on disposal of subsidiary	-	(1,139)	-	-	-	(1,139)	-	(1,139)	
Total other comprehensive income, net of tax	-	(1,093)	-	7,163	-	6,070	16,712	22,782	
Total comprehensive income for the period	-	(1,093)	-	7,163	56,592	62,662	40,674	103,336	
Transactions with Owners, recorded directly in equity									
Change in ownership interest in subsidiary									
Disposal of subsidiary	-	-	-	-	-	-	(25,947)	(25,947)	
Total change in ownership interest in subsidiary	-	-	-	-	-	-	(25,947)	(25,947)	
Total transactions with Owners	-	-	-	-	-	-	(25,947)	(25,947)	
At 30 September 2015	186,688	2,371	(101,050)	(29,416)	1,315,808	1,374,401	494,939	1,869,340	
At 1 July 2016	186,688	2,371	(101,050)	(38,380)	1,418,864	1,468,493	485,194	1,953,687	
Total comprehensive income for the period									
Loss for the period	-	-	-	-	(813)	(813)	(1,288)	(2,101)	
Other comprehensive income									
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	1,628	-	1,628	3,386	5,014	
Exchange differences on monetary items forming part of net investments in foreign subsidiaries	-	-	-	447	-	447	-	447	
Total other comprehensive income, net of tax	-	-	-	2,075	-	2,075	3,386	5,461	
Total comprehensive income for the period	-	-	-	2,075	(813)	1,262	2,098	3,360	
At 30 September 2016	186,688	2,371	(101,050)	(36,305)	1,418,051	1,469,755	487,292	1,957,047	
The Company									
At 1 July 2015	186,688	-	-	-	54,508	241,196	-	241,196	
Profit and total comprehensive income for the period	-	-	-	-	1,134	1,134	-	1,134	
At 30 September 2015	186,688	-	-	-	55,642	242,330	-	242,330	
At 1 July 2016	186,688	-	-	-	72,175	258,863	-	258,863	
Loss and total comprehensive income for the period	-	-	-	-	(564)	(564)	-	(564)	
At 30 September 2016	186,688	-	-	-	71,611	258,299	-	258,299	

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

The Company did not issue any shares during the financial period under review.

As previously reported in the second quarter financial statement for the period ended 30 June 2016, the aggregate number of issued ordinary shares increased from 791,465,621 to 870,612,140 following the allotment and issue of bonus shares.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares excluding treasury shares

The Company	
30.09.2016	31.12.2015
870,612,140	791,465,621

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

NA.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

NA.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the Group's and the Company's audited financial statements for the year ended 31 December 2015.

- 5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Nil.

- 6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share of the Group after deducting any provision for preference dividends:

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings)

The Group	
3rd Quarter 2016	3rd Quarter 2015
(0.12) cts	8.17 cts
(0.12) cts	8.17 cts

The basic and diluted earnings per ordinary share of the Group were calculated based on the consolidated loss attributable to ordinary shareholders for the period of approximately \$813,000 (2015 : consolidated profit of \$56,592,000) and the weighted average number of ordinary shares outstanding of 693,022,508 (2015 : 693,022,508) which excludes ordinary shares held by an investee.

For comparative purposes, the number of ordinary shares as at 30 September 2015 was adjusted to include the issue of one bonus share for every ten existing ordinary shares held for the calculation of basic and diluted earnings per share.

There are no potential dilutive ordinary shares in existence as at 30 September 2016 and 30 September 2015.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:

- (a) current financial period reported on; and**
(b) immediately preceding financial year.

Net asset value per ordinary share based on the total number of issued shares excluding treasury shares and excluding ordinary shares held by an investee

The Group		The Company	
30.09.2016	31.12.2015	30.09.2016	31.12.2015
212 cts	214 cts	30 cts	31 cts

For comparative purposes, the number of ordinary shares as at 31 December 2015 was adjusted to include the issue of one bonus share for every ten existing ordinary shares held for the calculation of the net asset value per ordinary share.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

The Group's revenue for the current period decreased marginally from approximately \$14.4 million to \$14.0 million. This was mainly due to the decrease in property management income which was partially offset by an increase in rental income from the leasing of the residential units of Concourse Skyline.

The decrease in other income was mainly due to lower interest income from cash and cash equivalents.

There was an increase in tax expense for the current period as certain expenses incurred are not deductible for tax purposes and losses incurred by certain group companies cannot be offset against profits made by other group companies.

In the previous period, the Group disposed of its shares in Winfoong International Limited, resulting in a net gain on disposal of approximately \$81.9 million. With the absence of this significant gain, the Group recorded a loss of approximately \$2.1 million as compared to a profit of approximately \$80.6 million in the previous period.

The increase in pledged bank deposits was mainly due to the monies collected from the rental of its investment properties in Hong Kong.

The decrease in other assets (current) was mainly due to the disposal of the equity securities held for trading.

The decrease in current tax assets was mainly due to tax refunds from the relevant tax authority.

The Group recorded a decrease in cash and cash equivalents due mainly to payment of construction costs for YOTEL Singapore, payment of dividends and repayment of certain loans and borrowings in Hong Kong for the period January to September 2016.

The decrease in secured loans and borrowings (non-current) was mainly due to the repayment of certain loans and borrowings in Hong Kong in the third quarter of 2016.

The increase in unsecured loans and borrowings (non-current) was mainly due to the issuance of its 2.75% unsecured bonds by a subsidiary in Hong Kong to third parties in March and April 2016.

The increase in current tax liabilities was due mainly to the provision of tax expense during the period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

NA.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group's recurring income will mainly be rental income from its investment and development properties. Sale of residential units will continue to be sluggish.

The Group is working towards the opening of YOTEL Singapore in 2017.

11. **If a decision regarding dividend has been made:**

- (a) **Whether an interim (final) ordinary dividend has been declared (recommended); and**

None.

- (b)(i) **Amount per share cents**

NA.

- (ii) **Previous corresponding period cents**

NA.

- (c) **Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

NA.

- (d) **The date the dividend is payable.**

NA.

- (e) **The date on which Registrable Transfers received by the Company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.**

NA.

12. **If no dividend has been declared (recommended), a statement to that effect.**

No dividend has been declared/recommendeded for the third quarter ended 30 September 2016.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Company does not have a general mandate from shareholders for interested person transactions.

14. **Negative confirmation pursuant to Rule 705(5). (Not required for announcement on full year results).**

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Third Quarter Financial Statement on the unaudited results of the Company and of the Group for the period ended 30 September 2016 to be false or misleading in any material aspect.

15. **Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set in Appendix 7.7) under Rule 720(1).**

The Company has procured the undertakings from all its directors and executive officers.

BY ORDER OF THE BOARD

Koh Chay Tiang
Lo Swee Oi
Company Secretaries
14 November 2016